AG-2-1 Please provide a complete and detailed description of the term "primarily self-financed" as indicated on page 3, line 18 of Ms. Smith's prefiled testimony. Please also provide all analysis and documentation supporting that statement.

Response:

The Company is primarily owned by the Wojcik family. They have spent Company earnings to add plant. In addition, they have borrowed on a short-term basis to finance investment, because of the difficulty of borrowing relatively small amounts for such a small utility. The cost of short-term borrowing does not appear in the Company's capital structure, nor does short-term interest cost appear as an expense in the cost of service..

Self financing is also evidenced as the Company has invested in plant between rate cases. This plant is not earning a return, but actually decreases booked earnings as it causes additional depreciation expense. When Company income is negative, the Company has at times borrowed on a short-term basis. Retained earnings may even decrease in a year in which investment has occurred.

AG-2-2 Please provide a map of the Company's service territory along with detailed drawings of the Company's distribution system.

Response:

The Company does not have a total system map. The system is recorded on individual street fragment records which identify the location of mains. Several examples are attached.

AG-2-5 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Uncollectibles adjustment shown on line 1.

Response:

Uncollectible accounts as of 12/31/00.

Account #	Amount
200684	148.91
200737	8.16
201303	3,560.60
201553	266.03
201638	125.31
201717	429.46
201970	224.00
201972	158.50
201977	228.94
302283	40.92
302610	104.78
302746	119.40
403496	236.84
403158	217.89
403476	111.90
403552	522.23
403795	56.67
504466	43.55
504512	96.69
504526	662.93
504546	30.64
504568	145.20
504687	201.67
504694	68.34
504716	341.52
504735	497.24
504915	133.64
505127	75.40
505237	53.22
505264	572.04

600704	482.11
601106	112.07
601201	67.28
601255	950.06
700125	4,224.02
800750	329.94

Total Bad Debts	15,648.10
Recovery of Bad Debts	336.63
Bad Debt Expense - Net	15,311.47

Response to AG's **Blackstone Gas**
Second Set of Information Requests **DTE 01-50**
Witness Responsible: Lee Smith

AG-2-7 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Wage and Salary Annualizing adjustment O&M shown on line 3.

Response:

Employee	Old Salary	New Salary	Weeks at Old Salary	Weeks at new Salary	Annualized New Salary	Annualized Prorated Salary	Adjustment
Employee 1	$832	$1,132	20	32	$58,844	$52,844	$6,000
Employee 2	$480	$600	18	34	$31,200	$29,040	$2,160
Employee 3	$520	$560	38	14	$29,120	$27,600	$1,520
Employee 4	$340	$360	2	50	$18,720	$18,680	$40
O&M Wage Adjustment							$9,720
Employee 5	$1,190	$ 1,309	19	33	$68,058	$65,798	$2,261
A&G Wage Adgustment							$2,261

AG-2-8 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Wage and Salary Annualizing adjustment A&G shown on line 4.

Response:

Please refer to the response to AG-2-7.

AG-2-9 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Inflation adjustment O&M shown on line 5.

Response:

O&M Expense	$117,112
Cust. Accounts	$27,406
Sales Exp	$2,963
	$147,481
1.5 years of Inflation	2.98%
O&M Inflation Adj.	$4,398

AG-2-10 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Inflation adjustment A&G shown on line 6.

Response:

A&G Expenses	$242,209
1.5 years of Inflation	2.98%
A&G Inflation Adj.	$7,223

AG-2-14 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 3, please provide a copy of the workpapers, calculations, formulas, assumptions, and all supporting documentation for the Amortization of Rate Case Expense adjustment shown on line 10.

Response:

Estimated Rate Case Expenses	
Rubin & Rudman	$30,000
La Capra Associates	$30,000
Total amortized over 5 years	$12,000

AG-2-15 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 4, please provide a copy of the invoices associated with the pro forma rate base adjustments – Account 392 Transportation Equipment.

Response:

The 1977 utility truck has been replaced by a Chevrolet Express, with a cost of $29,249.00. Attached is the bill for this vehicle. Also attached is a price quote for the other vehicle required, an International of $56,028.11. The total is $85,277, $27,991 less than the estimate of the transportation proforma adjustment of $113,268. We will reduce the rate request to reflect this difference.

AG-2-16 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 4, please provide a copy of the invoices associated with the pro forma rate base adjustments – Billing System For Unbundling.

Response:

Please see attached invoice.

A-G-2-17 Referring to Ms. Smith's prefiled testimony Exhibit 2, Schedule 4, please provide a copy of the invoices associated with the pro forma rate base adjustments – Account 394 Tools, Shop, & Garage Equipment.

Response;

See attached price quote for air compressor.

AG-2-18 Referring to page 32 of the Company's 2000 Annual Return to the Department, please indicate the reason(s) that the notes payable indicate on that page were not included in the determination of the Company's weighted cost of capital calculation shown in Ms. Smith's prefiled testimony, Exhibit 4.

Response:

These are short-term notes and as such are not usually included in the capital structure. The interest on these notes is also not included in the cost of capital, nor does it appear as an expense. Thus ratepayers do not bear the cost of short-term borrowings directly. In addition, rates will not recover enough income to pay this interest, and or enough income to finance investment, unless equity is defined as has been done in this case and previously for Blackstone Gas.

AG-2-19 Referring to page 9, line 13 of the Company's 2000 Annual Return to the Department, please reconcile the balance of Total Proprietary Capital shown on that page with the amount of equity included in the determination of the Company's weighted cost of capital calculation shown in Ms. Smith's prefiled testimony, Exhibit 4.

Response:

Proprietary capital is not equivalent to equity for Blackstone, because of the amount of self-financing and short-term financing that has occurred. As noted in testimony, "... the equity of the Company is the value of its rate base less its long-term debt. The equity has grown as the owner has allowed almost all of the Company's earnings to be used by the Company. Rather than paying out dividends, revenue above basic expenses has been spent on the Company, enabling it to replace old plant and install new mains." Moreover, the Company has borrowed on a short-term basis to finance new plant.